



**DIGITIAN
CAPITAL**



FUTURE FOCUS

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ANTI FRAGILE Market : a correction coming?

DIGITIAN VIEW!

USA Markets continued its new abnormal bull run in May 2020, the way the market is taken over by the Tech stocks, soon NASDAQ will be creating new all time high. In May 2020, other markets shown mixed results but soon will catch the bull run in USA. It seems that nothing bothers this market, continued surge in COVID 19 infection, historical unemployment level, Public unrest, inflation, lost growth - the only factor working is the huge liquidity pumped by Fed.

OUR USA RETURN in 2020 (31st May 2020):

23% vs S&P 500 YTD -6% (2019 28%)

This clearly shows our ability to perform & beat this volatile market.

I have already discussed in detail the strategy to invest in this market in the last newsletter in April 2020.

There will be a 7%-12% correction coming in end June 2020, that is my apprehension before the second Quarter results starting July 14th.

The earnings for Quarter 1 2020 are out for almost 98% of the companies in USA. **It is now expected for an earnings decline** in Q2 for the S&P 500 is -43.3% (the largest year-over-year decline in earnings since Q4 2008 -69.1%). Bulls seem to be hoping for an earnings rebound in Q3 and Q4 with +1.7% and +8.3% growth respectively.

Given the volatility index is still around 26-28, lot of caution is required.

“ History shows that enormous stimulus and the pent-up demand always create a surge post the crises period for long time and markets swings to new highs ..which are used by great investors ”

MARKET WATCH

Equity Indices	Monthly Open	Monthly Close	Monthly Change %	2020 YTD %	2019 %
S & P	2912	3044	4.5%	-5.8%	28.9%
Nasdaq	8911	9489	6.5%	5.8%	35.2%
FTSE 100	5901	6076	3.0%	-19.4%	12.1%
Shanghai Composite	2860	2852	-0.3%	-6.5%	22.3%
NIFTY	9859	9580	-2.8%	-21.4%	12.2%
Nairobi SE 20	1967	1948	-1.0%	-26.6%	-6.3%
Egypt SE 30	10554	10109	-4.2%	-27.6%	7.1%
Tanzania All Shares	1767	1809	2.4%	-12.1%	0.9%
Ghana Composite	2100	1941	-7.6%	-14.0%	-12.2%
Nigeria SE 30	987	1097	11.1%	-6.9%	-16.9%
Morocco All Shares	9400	9852	4.8%	-19.1%	7.1%
Bangladesh DSE 30	1331	1361	2.3%	-9.4%	-20.1%

Commodity	Monthly Open	Monthly Close	Monthly Change %	2020 %	2019 %
Gold	1692	1731	2.3%	13.9%	18.5%
Crude Oil	26.67	26.67	0.0%	-59.6%	22.0%
WTI Oil	19.02	35.34	85.8%	-42.3%	33.6%
Copper	2.34	2.44	4.3%	-12.8%	6.3%
Iron Ore	83.83	92.54	10.4%	1.1%	32.4%
Aluminium	1492	1547	3.7%	-14.2%	-20.1%

There has been no reprieve in Corona virus infection, the pandemic is still growing @ 18% per week. It will be important to note how the economy and businesses behaved in other crises.

History does Rhymes

1957 Asian Flu : a Pandemic .. Millions around the globe were infected, thousands Died. The worst pandemic since the Spanish Flu in 1918. 70000 people died in the US. between 1.5 million to 3 million died worldwide. Looking similar right!!

The economy fell by an annualized 10% in the first quarter of 1958. But then the virus disappeared. There was massive pent-up demand in the second quarter of 1958. **The next 5 quarters the economy grew by 7.8%. and That growth continued for a decade and the market went on to achieve the highs(inflation adjusted) since Great Depression .**

The similar pattern is observed in other pandemics : Hongkong Flu 1968 and swine flu 2009. **Millions died worldwide but no major recessions followed.**

The Effect of Stimulus:

During the financial crises of 2008/09, there was massive stimulus. **The market rose 400% since its lows in 2009 and the growth continued for decade,** The Fed did cut rate and created a liquidity of \$ 3 trillion over a period of 3 years, **in comparison this time Fed cut rate drastically to near Zero immediately and pumped in \$ 3 trillion in 3 months ----** Just imagine the effect.

Whether it will cause high inflation?

It did not happen in 2001 or in 2009 since the crises in both cases happen just after the recession was already in

place. **Typically, inflation happens when the economy are at full employment. Then it costs more to hire people and then prices of products start to go up.**

Unknown territory

Since just before the pandemic, US economy was growing strong and at full employment level since WWII. Then the crises came and within few weeks, historic unemployment level reached with 30 million+ job loss. this did not happen before along with lockdown.

I think there will not be a recession but a slightly prolonged economic recovery given the continuous growth of the pandemic to almost 2 quarters.

1. there will be a second order correction coming stockwise with Q2 results. So investors will get lot of opportunity till Q3
2. Pent-up demand will come in Q4 as things settle down. If that is true 2021 will see huge economic growth of 5%/ higher.

Remember Great Investors :

Benjamin Graham accumulated his wealth by buying beaten down 'cigar butt' stocks during Great depression. John Templeton (Mutual Fund Fame) borrowed money in 1940 and bought every stock trading for less than \$1. Warren Buffet did it many times during 2001, 2009 and now.

In a way this is the time for true investor.

No crises is like the last one

That's always the case. There never was a 9/11 terrorist attack, there never was a financial crises like 2008/09. So this time things may seem to be different, but they are actually not.

COUNTRY DATA

Countries	GDP (USD Bn)	Market Cap (USD Bn)	GDP Growth 2020 %	Inflation %
USA	21729	26689	-3.6%	0.9%
China	12238	10290	1.6%	-2.0%
India	2260	2305	2.0%	4.2%
Egypt	331	53	3.5%	6.00%
Kenya	71	18	2.5%	5.3%
Tanzania	54	10	3.0%	3.7%
Ghana	43	20	3.0%	7.0%
Nigeria	405	101	0.50%	6.0%
Morocco	101	59	1.0%	1.0%
Bangladesh	221	40	4.0%	4.00%

Forex	Monthly Open	Monthly Close	Monthly Change %	2020 YTD %	2019 %
EUR USD	1.095	1.110	1.4%	-1.0%	-2.3%
GBP USD	1.257	1.234	-1.8%	-6.9%	-10%
USD INR	75.164	75.610	-0.6%	-5.8%	-2.1%
USD KES	107.250	106.800	0.4%	-3.9%	-0.7%
USD EG POUND	15.750	15.840	-0.6%	1.3%	11.60%
USD TZS	2314.000	2314.000	0.0%	-0.6%	0.0%
USD CEDI	5.775	5.785	-0.2%	-1.5%	-14.5%
USD NAIRA	360.500	360.500	0.0%	0.6%	0.5%
USD TAKA	84.980	84.970	0.0%	-0.1%	-1.8%

Ratan Tata (Chairman Emeritus of Tata Group India) mentioned in a tweet.... This time will also pass....if Japan can rebuild itself after 1945 Atom bombing and became the third richest economy, if Europe could rebuild its cities after devastating world war II, if people can rebuild their economy post tsunami or earthquake, **this will also pass and world economy will emerge strong and better than before.**

In this context, I will talk about the new concept introduced by Nassim Taleb (Black Swan Fame) : Anti Fragile.- things that gain from disorder. The idea is : fragile is when something bad happens to you and you collapse. Resilient is when something bad happens to you and you handle it stoically and move forward.

But ANTIFRAGILE is when something bad happens and you bounce back even stronger than before.

That is exactly Ratan Tata reminding us off and through out this piece I am trying to relate to the history. And like many I am sure that the ANTIFRAGILE event is going to happen this time around as well. It may look uncertain when you are in but it will be much stronger as we pass it.

Please do your homework and take advantage of this future view, do not let it go, you only get such opportunity few times in life.

Stay at home and be happy with family and watch your Investment!

Coming Soon

New Service : Surrogate Investment

Digitian Capital (DC) has launched a new service "Surrogate Investment". We have come across many of our readers who may not have USD 100,000 or equivalent to join the club and make their investment fortune. Further, we understand **TRUST & BELIEF** are two big factors confronting the medium value investors. The service is designed to address these issues while creating a family of DIGITIAN investors :

The features of Surrogate Investment (SI) :

1. Invest your own Money through your own custodian account (so no money transfer)
2. Only two markets : India and USA
3. Atleast investable funds of USD 20,000 or AED 10,000 or INR 10,00,000
4. Digitian Capital would give you names of only 1(one) share (on the basis of our model **WINGS to freedom**)
5. You will invest yourself on the basis of that Tips on that share
6. Digitian will advice you to sell the shares at right point in time.
7. You transfer 20% of the profit you generated out of the sale of shares. (Say you invested USD 20000/- in Apple and you sold it at USD 24000 then you will pay DC, USD

800 (20% of gain of USD 4000)
8. On receipt of USD 800 DC will provide you another name of shares where you will invest again USD 20000 or more.

If you have a loss from a tip it will be adjusted first from subsequent gain, before upside kicks in.

So it is SIMPLE .. SIMPLE

Why You should avail this service?

- You do not have time like Professional Fund Managers like us, so you are getting a professional specific advise
- Your money is in your own account. You can sell whenever you want
- Digitian capital is doing all the hard work, Selecting the share, monitoring the performance of the company, attending AGM and Investors Conference, advising you the buy and sell time with entry and exit price.

Fees for the Service :

- a) ZERO UPFRONT Fees
- b) Upside of 20% of the profit **only on realisation** of the profit (So Zero risk)

Process :

- 1) Sign up : digitiancapital.com
- 2) Start Your millionaire Journey

BEST CHART OF THE MONTH

S&P 500 Change in Forward 12-Month EPS vs. Change in Price: 10 Yrs.
(Source: FactSet)



Courtesy: Factsheet

“ The forward 12-month P/E ratio for the S&P 500 is 22.1. This P/E ratio is above the 5-year average (16.8) and above the 10-year average (15.1). Prior to the past week, the last time the forward P/E ratio was 22 or higher was May 2001. This curve clearly shows the divergence between the price and Forward 12 month EPS - hence trigger for correction”



VALUE INVESTING

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“Find your life Ikigai - which would help you to focus on the matter you love... In investment also finding right ikigai is important - as it is the rockbed of Value investing .”

Life is Beautiful

In Japanese, **ikigai** is written by combining the symbols that mean “life” with “to be worthwhile.” Translates roughly as ‘the happiness of always being busy.’

There is a passion inside you, a unique talent that gives meaning to your days and drives you to share the best of yourself until the very end. If you don’t know what your ikigai is yet, as Viktor Frankl says, your mission is to discover it. (Viktor Frankl is the author of Man’s Search for Meaning).

Our ikigai is different for all of us, but one thing we have in common is that we are all searching for meaning. When we spend our days feeling connected to what is meaningful to us, we live more fully; when we lose the connection, we feel despair.

Our ikigai is hidden deep inside each of us, and finding it requires a patient search. According to those born on Okinawa, the island with the most centenarians in the world, their ikigai is the reason they get up in the morning.

Once you discover your ikigai, pursuing it and nurturing it every day will bring meaning to your life.

One thing that everyone with a clearly defined ikigai has in common is that they pursue their passion no matter what.

(Ikigai - The Japanese Secret to a Long and Happy Life ,by Héctor García and Francesc Miralles is a must read for anyone looking for a meaningful purpose in life).

While I realized the concept much earlier in life which helped me do what I am passionate about –“full time investing as a profession “ which helped me leave my cushy job in corporate .I like the process of searching a company, reading tons of research materials ,any news on it, doing on ground scuttlebutt etc. The process gives me happiness and ofcourse the result, till Covid 19 came into our lives.

Everyday I was working relentlessly but happily, traveling a lot, meeting people for my work and suddenly everything came to a grinding halt. While I don’t need to go out of home specifically to work (apart from field visit), now working from home has become a new reality .

What Covid19 and long lockdown made me realize (may be to many others) that we don’t have any control on life –its so VUCA world today - volatile, uncertain, complex and ambiguous that a small virus (atleast in size) have got the world to a stop.

During a technology age , when we are planning mass travel to space this small virus have got most of the world at home. This made me introspect why life is so uncertain and short. On the Shortness of Life -Seneca, the Stoic philosopher and playwright, offers us an urgent reminder on the non-renewability of our most important resource: our time. It is a required reading for anyone who wishes to live to their full potential, and it is a manifesto on how to get back control of your life and live it to the fullest.

Here are a few passages from the book that serve as great reminders on, well, the shortness of life –

It is not that we have a short time to live, but that we waste a lot of it. Life is long enough, and a sufficiently generous amount has been given to us for the highest achievements if it was all well invested. But when it is wasted in heedless luxury and spent on no good activity, we are forced at last by death’s final constraint to realize that it has passed away before we knew it was passing. So it is: we are not given a short life but we make it short, and we are not ill-supplied but wasteful of it... Life is long if you know how to use it.

Hence we need to assess how we spend the twenty four hours we have in hand. We need to assess what we leave behind, it may NOT be only money or wealth, not as important parts of the equation of what we leave behind as we usually think – changing peoples life for better, imparting values to children so that they can be better human beings etc. Hence I realized like never before, spending time with family more than I did before, was very important.

In Covid 19 I also realized its not the money which we try to compound but the real wealth is our health. Hence time allocation to keeping myself fitter have gone further .

So what happens after Covid 19 is over –we go back to the normal routine and stop giving time to our children and family. Off course not, I am definetly not going to do that. How one plans to do it given when you are into full time investment as there is no one to review you whether its on time or the output of it .The answer is simple ,very nicely explained by Vishal Khandelwal (Safalniveshak.com), one of my favorite writer. His ability to write and also explain in pictorial format (see one of his thought in Picture) complex things is mind boggling .



So basically what he is trying to say is focus on business where return on capital is more than cost of capital and where there is greater longevity of the business due its inherent economic moat. Hence focus on the “time” part of compounding equation than only on the “rate” part of the compounding equation . For that you need to find high quality business with economic moat. Once you find that then sit tight and enjoy your time to find the next one and spend most of the time with family ,health or whatever is your passion .

HDFC Bank completed 25 years since its IPO in May 1995. Without dividends reinvested the CAGR has been 25% .With dividends reinvested CAGR is 30%.Max Correction been 55% . A 1 lac investment in IPO is worth 8 crs today, an awesome 800 times.

So one investment in a company frees your time for 25 years ! Go free yourself, enjoy life as its beautiful, it is not that we have a short time to live, but that we waste a lot of it !!



Black Live Matter Movement

Within COVID-19 pandemic, there has been a massive protest since May 26 in USA, triggered by death of Mr George Floyed, in Mineapolis due to the brutality of Police. This added to the long list such incidents and all states and town erupted with massive protest rallies continuing for days. **WE SALUTE THE INITIATIVE.**

No effect on Wall street

While the protests are continuing S&P 500 is on a run for 8.01% increase. This is a wall street phenomenon, which happens during all protest.



DIGITIANS are those who born in or after the year 2000 and will be a dominant force through 2075. They are completely different in usage of their left brain and motor nerves. They are different from the Millennials in behaviour, thinking and action.

The world is changing superfast – media, communications, banking, currencies, education, retail channels, health & medicines, travel and tourism, consulting, manufacturing, agriculture, – every sectors facing disruptive innovations; Nano technology, internet of things, artificial intelligence and robotics will be overwhelmingly embedded. In this age, model disruption, extinction, miniaturisation, real time delivery, speed and virtualisation are neo normals.

We make you ready for them

HOW TO INVEST IN DIGITIAN CAPITAL

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- Unique Access to Frontier & Emerging Markets
- Value Stock Pick
- Online Investment Platform
- Cheaper Cost
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